

Report to Partnership Meeting 23 August 2013

RESEARCH AND STRATEGY DELIVERY

SLEEPER-NESS

Purpose of Report

To provide Members with the findings of the research undertaken by HITRANS in conjunction with Reference Economic Consultants into the potential economic impact of the withdrawal of the maintenance of sleeper vehicles at Inverness.

The existing position

HITRANS commissioned two pieces of work in 2012 to inform the refranchising of ScotRail services: *Sleepers Uncoupled* looked at trends across Europe, and *Sleeper Operations* analysed the detail of the existing Caledonian Sleeper service.

The franchising of sleeper services for a period of 15 years from April 2015 may lead to a re-appraisal of the maintenance strategy for the sleeper and seated vehicles, plus lounge cars.

Arriva, First Group and Serco have been invited to tender for the franchise. Responses are due back in Winter 2013 with the winning bidder to be announced in Summer 2014.

Sleeper-ness

The study undertaken sought to estimate the economic impacts of the maintenance of the sleeper services rolling stock. The impacts comprise three elements:

- Direct-impacts related to the direct employment of staff to undertake the work.
- Indirect-arising from the purchases of goods and services required to undertake the maintenance work.
- Induced-arising from the spend of the wages of those directly and indirectly employed in the wider economy, in shops, restaurants, etc.

Out of a total staff complement of 103 at the Inverness depot, there are 80 full-time ScotRail staff involved in maintenance of rolling stock. We understand that the other 23 staff includes cleaners and bedmakers.

The 80 staff are in a range of occupations. They include management, production team leaders, fitters, shunters, stores and administration.

Some staff are interchangeable. They work on maintenance for other rolling stock as well as on the sleepers. The best estimate is that around half (47%) of the 80 posts have significant involvement in the sleeper work. Thus, their posts are significantly but not wholly reliant on the sleeper maintenance work that is undertaken at Inverness.

Purchases of goods and services within Scotland required appear slight.

The average cost to ScotRail of engineering staff (i.e. before deduction of income tax and employee national insurance) is estimated to be around £38,500 per annum. We also understand that this figure includes shift allowances and social costs. This results in an estimated gross wage of c. £32000 p.a.

Almost all the staff live quite locally-that is, within the Inner Moray Firth area-e.g. Inverness, Nairn, Black Isle. A small number live in Moray, including some who formerly worked at the two RAF bases. Staff are spread across the working age spectrum. They include a number of apprentices who are multi-skilled.

In addition to the above, there are two DB Schenker posts at Fort William that are also involved in aspects of sleeper maintenance.

Lower and upper employment estimates have been calculated. The upper assumes that the 47% of the maintenance employment at Inverness and Fort William (referred to earlier) would not exist in the absence of the sleeper maintenance work (although in reality this may not be the case). The lower estimates assume that only 75% of this direct employment would not exist in the absence of the sleeper work, given that some are also involved in other types of work at the two locations.

The upper estimates range between around 47 FTE in Inner Moray Firth, around 49 FTE for the Highlands & Islands and 54 FTE in Scotland.

The lower estimates are simply 75% of the upper estimates. Thus, total impacts in this scenario range from around 35 FTE in Inner Moray Firth, to 37 FTE in the Highlands & Islands and slightly over 40 FTE at the national level.

In the upper estimates, total income (including direct, indirect and induced impacts) ranges from £1.39 million in the Inner Moray Firth to around £1.45 million at the regional level and over £1.54 million for Scotland. The lower estimates are simply 75% of the upper ones.

For the employment as a whole in the Inner Moray Firth area and the Highlands & Islands the average gross income is around £29,500 per FTE. This compares to average income for full-time jobs of £28,656, in the Inverness & Dingwall Travel To Work Area, and £30,803, for Scotland as a whole.

The analysis shows that the sleeper maintenance work supports largely full-time all year round employment that is well paid. The Inverness depot is a major employment site in Highlands & Islands terms, where few workplaces have more than 10 employees.

The magnitude of cost savings in maintaining the sleeper service elsewhere is not known. However it is reasonable to assume that savings would be generated if maintenance was undertaken at a suitably equipped location where stock cycled through the depot more frequently than once every 8 days.

However the analysis also highlighted that the sleeper maintenance does not represent the critical mass of the depot workload. Loss of the sleeper work is very unlikely to threaten the need for the maintenance depot itself. Indeed with Scottish Government committed to extending the electrified rail network in the central belt, migration of more DMU maintenance to Inverness is a major opportunity which could not be accommodated without major capital investment in facilities if the sleeper maintenance was also accommodated.

There may also be opportunities for elements of the proposed c.£50m sleeper vehicle refurbishment in the new franchise to be carried out in the area.

Recommendation

1. Members are asked note the report..

| Risk | Impact | Comment |
|--------------|---------------|--|
| RTS delivery | √ | This project fits well with a number of RTS Horizontal themes. |
| Policy | √ | This project has integration and environmental benefits. |
| Financial | √ | This project was funded from the 2012-13 Business Plan. |
| Equality | - | No impact on equalities issues. |

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Date: 12th August 2013